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Supplement

Sub-Saharan Africa

Economic and Investment Issues

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Sub-Saharan Africa
SUPPLEMENT
Economic and Investment Issues

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National Economy

Bank Launches Fixed Interest Rate Housing Scheme

MB0506113095 Johannesburg SAPA in English 1045 GMT 05 Jun 95

[FBIS Transcribed Text] Johannesburg June 5 SAPA — ABSA [Amalgamated Banks of South Africa] Bank launched Monday [5 June] its affordable housing scheme, offering a mortgage bond with a fixed interest rate for ten years.

The scheme had been introduced to assist in the provision of low cost housing by reducing the long term risk of increasing interest rates, an ABSA statement said.

"Civic association leaders have made a strong call for a fixed rate mortgage bond. They say newcomers to home ownership do not want to run the risk of having to pay back on their home loans when interest rates rise," Pieter Marais, ABSA assistant general manager, said.

The fixed rate option would only be available on loans of less than R65,000 [rands] — the limit for "affordable housing" agreed upon by government and the association of mortgage lenders.

According to Marais, the top interest rate of 22.5 per cent would be charged on fixed rate bonds of between R10,000 and R25,000. The rate would fall to 21.25 per cent for loans between R25,001 and R50,000, and to 20.0 per cent for bonds of between R50,001 and R65,000.

The fixed interest rate would be the same for all banks, and had been approved by the housing minister, said Marais. "The higher cost of administering loans to the affordable market and the principle of non-cross subsidisation resulted in interest rates which will be higher than rates quoted at present," the statement said.

The variable interest rates currently available on equivalent loans were 20.0 per cent for bonds of between R10,000 and R25,000, 19.0 per cent for bonds of between R25,001 and R50,000 and 17.75 per cent for bonds between R50,001 and R65,000, Marais said.

Gold, Foreign Exchange Reserves Show Increase

MB0706172695 Johannesburg SAPA in English 1628 GMT 7 Jun 95

[FBIS Transcribed Text] Pretoria June 7 SAPA — South Africa's [SA] total gold and foreign exchange reserves, helped by an increase in foreign assets, increased sharply by R2.415-billion [rands] to R12.506-billion in May compared with April's R10.153-billion.

Figures released by the SA Reserve Bank on Wednesday showed foreign assets had pushed the reserve figure up to R6.904-billion from the previous month's R4.489-billion while gold reserves dropped R62-million to R5.602-billion from R5.664-billion in May.

Physical holdings of gold eased 53,354 fine ounces to 4,411,464 ounces (4,464,818 ounces).

The rand price increased R1.15 per fine ounce to R1,269.88 (R1,268.73).

Reactions to Import Tariff Cut Proposals

MB1306204395 Johannesburg SABC TV 1 Network in English 1800 GMT 13 Jun 95

[FBIS Transcribed Text] Cars and clothes won't get cheaper overnight, despite the new tariff reduction program. Import tariff cut proposals announced yesterday by Trade and Industry Minister Trevor Manuel have received mixed reaction. The eight-year time frame to reduce duties in the motor, clothing, and textile industries is seen as too long by some and too short by others. Jennifer Wilson reports:

[Begin recording] [Wilson] In the motor industry, tariffs on built-up vehicles are to be reduced at a rate of about 4 percent per year to reach 40 percent in the year 2002. The tariffs on components will drop to 30 percent. Motor assemblers are happy with the proposals. Components manufacturers agree, but are disappointed there's no requirement to reduce the number of models produced in South Africa. If South Africa could produce large numbers of a few models, cost efficiency would be improved.

On the clothing and textile side, tariffs will drop by about half over eight years. The textile industry is happy, but the National Clothing Federation says eight years of protection for textiles is too long. They want to be able to buy cheaper materials from Zimbabwe. Trade unions are concerned mainly that job losses be minimized.

[Union leader Ebrahim Patel] It may have the effect of increasing efficiency, in which case, prices will be lowered. But if it has the effect simply of squeezing industry, then obviously all we will see is job losses.

[Wilson] Consumers should be under no misconception that prices of clothes and cars will be cheaper in 1995. The motor industry says the price of cars will continue to rise, but at a rate lower than inflation, and the clothing federation says the same. South Africans will have to be patient while the industries slowly adjust to international competition. [end recording]

Business Says New Labor Bill 'Unaffordable'

MB0506135495 Johannesburg *THE STAR* in English
5 Jun 95 p 11

[Report by Claire Gebhardt]

[FBIS Transcribed Text] South African business has bit out at the proposed new Labour Relations Bill labelling it "unaffordable" in a country where 50% of the workforce were unemployed.

Ahead of rolling mass action by COSATU [Congress of South African Trade Unions] to break the deadlock in negotiations over the draft Bill, business warned over the weekend that the forced implementation of several controversial clauses would simply put more workers out on the streets.

The mass action is scheduled to start tomorrow and to culminate in a nationwide half day stayaway on June 19, which has the potential to bring the economy to a grindingly expensive halt.

At issue between capital and labour were sympathy strikes, socio-economic strikes and "compulsory" centralised bargaining.

The latter would force rigid wage levels on companies with unproductive workers at a time when the lowering of tariff barriers and cheaper imports pushed South Africa into global competition, they said.

It would also make poorer provinces uncompetitive by imposing higher wages on areas where unemployment was rife and the cost of living considerably less.

Executive director of the Centre for an Open Economy (COPE), Steve Ntsane, launched a broadside saying the proposed new Labour Relations Act (LRA) would render South Africa a "no go" area for foreign investors.

Draconian bargaining councils and workplace forums would make the investment climate so hostile as to guarantee the closure of businesses and stoke unemployment on an unprecedented scale.

"We can kiss goodbye to the RDP [Reconstruction and Development Program] as there simply won't be sufficient funding."

The LRA would also have a disastrous impact upon all small-to-medium sized businesses (SME's) who employed the vast majority of workers and created the bulk of new job opportunities, he said.

Webber Wentzel Bowens Employment Law partner Rod Harper said the "cynical" aspect of the whole exercise was that the draft Bill had been prepared in favour of the trade unions and would shift the balance of power even further their way while having a detrimental effect

on the economy. "In my view the unions have become greedy in wanting more."

Harper said the important issue was that if employers were not brought to the party voluntarily, they wouldn't actively participate in the system.

Econometrix said business would merely shed more workers in order to maintain profit margins were minimum wages to become the order of the day. It warned that the legislation would exacerbate the distinction between haves and have-nots.

"There appears to be a growing inequality in the distribution of income between the beneficiaries of affirmative action and a wage-earning elite lucky enough to have jobs in the formal sector, and a growing bank of unemployed and informally employed persons who have downgraded their consumption of basic essentials."

SACOB [South African Chamber of Business] director of labour affairs, Gerrie Bezuidenhout, said COSATU's tactics in calling for mass action whilst negotiating in a legitimate body like Nedlac [National Economic Development and Labor Council] were "highly inappropriate" as was the push to adhere to an end-June deadline.

Where legislation was forced through without taking the collective business constituency with it, both domestic and foreign investment could be curtailed.

Bezuidenhout said SACOB members were not unilaterally against centralised bargaining — "but to impose it through legal dispensation on the total economy is unacceptable".

Business and labour should be free to decide together whether centralised bargaining was the best approach for a particular sector, he said.

The question of the right to strike was also too widely interpreted and needed to be limited "perhaps by a third party" in order not to jeopardise the future of a business.

"As it is worded now, if a union declares a dispute with a company in the chemical industry, workers in the building industry could go on a legal strike in sympathy even though there is no connection between the two."

The right to socio-economic strikes gave the go-ahead for mass action provided certain procedures were followed and could cause immense harm to the economy. Bezuidenhout said with a legitimate government in place, employers should not have to bear the brunt of workers' anger over issues beyond their control which could be an increase in the electricity rate or a dispute over rates and taxes.

Unemployment Increase Predicted in Next 5 Years

MB0706141295 Johannesburg *THE STAR* in English
7 Jun 95 p 15

[Report by Cape business editor Audrey D'Angelo]

[FBIS Transcribed Text] Unemployment will rise for the next five years or more because the economy cannot be restructured overnight, says Ockie Stuart, the director of the Stellenbosch Bureau for Economic Research.

He was commenting on a warning from the former vice president of the Human Sciences Research Council (HSRC), Lawrence Schlemmer, at a conference organised by Sanlam this week, that black unemployment would continue to rise unless growth in gross domestic product averaged at least 4 to 5%

Stuart said he thought Schlemmer's figures were too low. "If we don't change the structure of the economy we need growth of 6 or 7% to absorb new entrants into the job market.

"We haven't got a snowball's chance of that, and therefore unemployment, not only black unemployment, will continue to increase," he said.

"We are talking about employment in the formal sector. A number of the statistically unemployed will find jobs in the informal sector or be self-employed. But that is not a healthy development in the economy."

In an economic forecast published in the 3D advertising and marketing group's newsletter PERSPECTIVE, Stuart said the economy has been growing for two years.

Both consumer and business confidence were increasing. This not only mirrors current conditions but also leads to positive future action. "However, a return to political instability could prevent the GDP from posting annual 3% growth rates or more in the short term."

Stuart said in his opinion political conditions showed no deterioration since the latest figures gave no indication that foreign investors were taking capital out of the country.

Unemployment Figures by Province, Race

95AF0092A Johannesburg *BEELD* in Afrikaans
4 Apr 95 p 3

[Article by Hein Swart under the rubric "In and About the Business World": "Millions Are Wandering the Streets Without Work"]

[FBIS Translated Text] There is certainly nothing worse than being unemployed and not having the money to

feed, clothe, and shelter yourself and your family. The announcement that South Africa now has an official rate of unemployment of 32.6 percent—unofficially it is even put as high as 50 percent—has sent renewed shock waves throughout the country. This stands in sharp contrast to the underdeveloped countries, where the rate of unemployment is around 3 percent, which for practical purposes means virtually no joblessness. South Africa's problem is that it cannot grow rapidly enough in the economic area to provide work to its rapidly growing population and, moreover, as discussed last week in this column, it does not have a culture of entrepreneurship.

Unemployment in South Africa has many faces. According to the Central Statistics Service, it is currently most serious in North Transvaal (47 percent) and the Eastern Cape (45.3 percent). It is nearly as bad in Northwest (36.6 percent) and East Transvaal (36.4 percent). In the Northern Cape 32.5 percent of the people are officially jobless and in KwaZulu-Natal the figure is 32.2 percent. The figure for Gauteng is 28.7 percent, for the Free State it is 24.4 percent, and in the Western Cape it is "only" 17.3 percent. In the future, however, the Western Cape will have to hustle for all it is worth because after this, hordes of job-seekers are going to descend on it.

Taking the country as a whole into consideration, 41.1 percent of all unemployed people are black. Further, the rate of unemployment among brown people [Coloreds] is 23.3 percent, among Asians 17.1 percent, and among whites 6.4 percent. Nearly half of all the unemployed—48.7 percent—are younger than 30 years of age. Moreover, 67.7 percent of all jobless people have been without work for a year or longer. Some 97.7 percent of them have no post-educational qualifications while 86.9 percent have not received training for nor are they competent in a specific occupation.

And do not think that the situation in the country is improving now either. On the contrary, it is becoming worse. From 1989 to the middle of last year, there was a decline of 510,000 jobs—9.2 percent—in the formal sector. This brings employment down to the level it was in 1980. South Africa is sitting on a time-bomb that could go off under it at any time. Employment must be found for the masses on an unprecedented scale. If this is not done, the millions of idlers will start to steal and rob on a scale that the country has never before experienced—as if many of them are not doing so already. Previously it was politics that drove productive people out of this country and kept others out. Soon crime will perform that function.

Production Price Index Hits Highest Since 1991

MB1306112095 Johannesburg SAfm Radio Network in English 1000 GMT 13 Jun 95

[FBIS Transcribed Text] Production prices for all commodities for South African consumption in April increased at their highest rate since August 1991.

According to the Central Statistical Services in Pretoria, Production Price Index [PPI] rose by 0.6 of a percentage point to an annual 11.5 percent compared with 10.9 in March. The PPI is a reliable indicator of what to expect of the consumer price index later this month. Economists said this morning that this month's inflation figure may well finally force the Reserve Bank to raise its bank rate. The main contribution to the higher PPI came from, among other things, relatively sharp increases in the price indices for agricultural food, forestry products, mining and quarrying products, tobacco products, and a wide range of other products.

Government Wants Mutual Society Funds To Aid RDP

MB0806192595 Johannesburg SAfm Radio Network in English 1600 GMT 8 Jun 95

[FBIS Transcribed Text] The government wants to tap into more than 400 billion rands in mutual society funds to help kick-start development programs. This was announced in Parliament today by Minister Without Portfolio Mr. Jay Naidoo in his RDP [Reconstruction and Development Program] progress report. Mr. Naidoo said the metal industry's pension fund had already agreed to invest in RDP programs. He said the large sums held by mutual societies would go a long way towards boosting local economic development.

60 Billion Rand Upgrade of Services Planned

MB0906113695 Johannesburg THE STAR in English 9 Jun 95 p 14

[Report by Bruce Cameron]

[FBIS Transcribed Text] Government is to launch a dual-pronged campaign to attract massive amounts of private sector capital to fund a more than R60-billion [rands], 10-year programme to upgrade local government infrastructure.

The plan could see the partial or full privatisation of some local government services with the way likely to be opened for private sector investors to take equity stakes. Local government will also be given the go-ahead to access the capital markets with loan issues.

A major investment conference is to be held in August to which all the institutional investors are to be invited to thrash out details of the financing proposals.

At a media briefing on the report, deputy director in minister without portfolio Jay Naidoo's office, Bernie Fanaroff told Reuters that government was looking for a voluntary accord.

"We're talking voluntary investment. Clearly if it turns out there is not enough voluntary investment, then government is going to have to ask the question: How do we gear up other investment?"

Naidoo said however there was no intention to re-introduce prescribed investments on institutional investors. He was looking for co-operation from the private sector. Apart from raising loan capital, Naidoo said local authorities would be able to look at a variety of relationships with the private sector.

This could range from the Queenstown option, where the management of services had been contracted out to the private sector, through to the private sector taking an equity stake in a service, on which a return could be expected.

He agreed the move amounted to a form of privatisation.

"The challenge is to redirect all our national resources to support the reconstruction and development programme.

"Effectively the whole budget must become our programme fund. But it also means gearing up the resources of the private sector and parastatals."

Naidoo said public sector resources would be used to subsidise the weaker authorities or to act as a catalyst to private investment.

"We believe that it is key to link infrastructure investment and service delivery with economic growth."

Naidoo said it was his intention to establish growth compacts between local authorities, communities and the private sector. These growth compacts would be known as Local Economic Development compacts.

Minister: Science Research Spending 'Inadequate'

MB0806195595 Johannesburg SAPA in English 1848 GMT 8 Jun 95

[FBIS Transcribed Text] National Assembly June 8 SAPA — South Africa's total science and technology research and development expenditure was inadequate compared to countries with similar sized economies, Arts, Culture, Science and Technology Minister Ben Ngubane said on Thursday [8 June] night.

"As a nation, we cannot and should not allow this trend to prevail when faced with mounting social and economic problems," he said in his budget vote.

South Africa's total research and development expenditure was 0.75 percent of the GDP.

His ministry would recommend to cabinet to target at devoting between 1.5 to 2 percent of the GDP to research and development.

"This request is not to fund science for science's sake. It is a signal of intent to link research and development with the satisfaction of basic human needs and economic growth."

The private sector, in collaboration with tertiary institutions, would be encouraged to take on a greater share of research and development through various incentives.

A white paper on science and technology titled "Preparing for the Twenty-First Century" would soon be tabled in Parliament, Dr Ngubane added.

Financial Effects of TBVC States' Demise Unknown

*MB1206150595 Johannesburg FINANCIAL MAIL
in English 9 Jun 95 pp 41-42*

[FBIS Transcribed Text] The disappearance of the TBVC [Transkei, Bophuthatswana, Venda, Ciskei] states as political entities masks a growing problem in national governance. This is that, in every single case, the independent homelands (Transkei, Bophuthatswana, Venda and Ciskei) were either ruled by corrupt elites whose financial probity left much to be desired, or subject to gross maladministration.

The financial effects — which no-one seems able to quantify — have not worked themselves through the system. Where accounts were kept, auditing systems were defective and mismanagement flourished. This, at any rate, is the judgment of the Auditor-General. In his report to parliament, conditions in the TBVC and self-governing territories are reflected as having "deteriorated to such an extent that extraordinary efforts will have to be made to restore financial order."

With the redrawing of the regional boundaries, different provinces have theoretical responsibility for the conduct of certain public affairs in the remnants of the homelands. In fact, this is proving impossible, since in many cases the third tier — local government, where it exists — has been acting unilaterally by writing off debts. Thus, rents and service payment arrears, theft and waste have led to an accumulated deficit of unknowable proportions in the provinces.

In the case of the Transkei, R1bn [rands] is missing and cannot be accounted for.

During last week's debate on the State Expenditure Vote, Democratic Party finance spokesman Ken Andrew pointed out that "the possibility of almost complete

breakdown in some areas looms large." This was exacerbated by the situation in the Department of State Expenditure itself, which has lost almost 50% of its senior staff over the past two years, most having left on early retirement.

An inter-departmental committee — reporting to the Minister for Provincial Affairs & Constitutional Development Roelf Meyer — was set up last year to investigate the existing conditions and future of local government finance.

However, no authoritative report has been forthcoming and, according to Meyer, "the committee is conducting a comprehensive investigation which will continue for a considerable time."

In some regions, the decision to write off service debts has added to the confusion. Replying to a parliamentary question last month, Meyer admitted that the amounts involved "are unfortunately not known. Local authorities are autonomous, and it was suggested to them that arrears of residents be written off by means of a council resolution. It is not known if this was executed everywhere."

Furthermore, "local authorities which decide to write off their service charge arrears are themselves responsible for the financial implications which may result from it."

These local authorities, of course, are not exclusively linked to the former homelands. But the disbandment of the TBVC, along with the plurality of transitional authorities and plain confusion over powers and responsibilities, explains why government is finding it difficult to cope. On the ground, as in the Eastern Cape, many townships which became ungovernable under apartheid have remained so — and that applies to education and social services in severely neglected areas.

It can be surmised that no-one will want to accept financial responsibility for debts that "are unfortunately not known." The ancillary problem — of how to restore or initiate services in deteriorating areas — could therefore be moot.

Andrew's suggestion is that the scope of the crisis should be admitted — as well as the fact that the public service does not have enough skilled people to resolve matters. From that admission could flow the beginnings of a solution: contracting out financial and social services to the private sector.

Financial involvement by commercial firms (which Andrew suggests should be for a three-year contract period) would be aimed at:

- Maintaining accurate and current financial records;

— Introducing proper financial management and control systems; and

— Training and recruiting to ensure continuity after the expiry of the three-year contract.

On the social front, private-sector administrative skills can be used, for example, to facilitate pensions payouts. A pioneer experiment in precisely this is being carried out in the Western Cape and appears to be working well.

Without such action, the likelihood is that the social fabric will further disintegrate — primarily, though not exclusively, in the former TBVC — and the wealth disparities that threaten stability become intensified. The effect would be further wastage of resources, the discrediting of the RDP [Reconstruction and Development Program] and further loss of control and knowledge of the extent of State debt.

Northern Province Tables First Budget

MB0906050695 Johannesburg SABC TV 1 Network in Afrikaans 1800 GMT 7 Jun 95

[FBIS Translated Text] The newly renamed Northern Province today tabled its first budget, a budget in which education and health receive the lion's share. The total budgeted is 9.4 billion rands for the financial year. Of this amount, 8.4 billion will come from central government and more than 1 billion from local sources.

Education, health, and welfare will together receive more than 70 percent of the budget. The largest allocation, almost 4 billion rands, is for education.

[Begin Northern Province Member of Executive Council for Education Edgar Mushwana recording in English, in progress] ...and miscellaneous expenditure. The higher allocation is indicative of the commitment of the government to giving education to all citizens of the Northern Province. The efficiency of this expenditure needs to be closely monitored. [end recording]

No funds have been allocated for the upgrading of education colleges, as an investigation into the rationalization of colleges has not yet been completed.

SACP Publication Criticizes Economic Policies

MB1306134795 Johannesburg THE STAR in English 13 Jun 95 p 6

[Report by Mondli Makhanya]

[FBIS Transcribed Text] The South African Communist Party (SACP) has, in its latest journal, launched a major assault on the Government's economic policies.

In what reflects a widening gulf between the ANC in government and its ally on economic matters, the

planned disposal of state assets comes in for scathing criticism in the SACP's quarterly publication *The African Communist*, which is due out this week.

SACP deputy secretary general Jeremy Cronin and Congress of South African Trade Unions president and SACP central committee member John Gomomo have, in separate articles, castigated the ANC-led Government for extolling the virtues of privatisation and other economic strategies advocated by donor agencies.

"Public assets are not the private property of a particular party or government, but a heritage of the whole society. They should be protected from unilateral action taken by ruling parties," writes Gomomo.

He says any unilateral privatisation would be rejected by the union movement. Cronin singles out Public Enterprises Minister Stella Sigcau for slavishly holding Malaysia up as a model for South Africa to follow in implementing privatisation and affirmative action. Cronin argues that the Malaysian economic success touted by Sigcau was achieved on the back of authoritarian regimes and has benefited only a small elite. There are more parallels between the Malaysian policies and those of the Verwoerdian era National Party in South Africa than with the ANC, Cronin says.

Gomomo also takes the Government to task for wanting to accept "the blueprints of outside agencies wanting to impose their dogma on to our situation". He says accepting this advice would lead to privatisation and rationalisation of the public sector, the rapid lifting of trade barriers, the establishment of cheap labour Export Processing Zones, and the advent of "Thatcherite monetarism."

He attacks the privation and rationalisation of the public sector and argues that, if carried out, it would rob the population of basic services and result in a loss of jobs. "Apart from the social problem created by privatisation, it also has a poor record of creating jobs. If anything, commercialisation and privatisation have destroyed jobs," says Gomomo.

Referring to the rationale used to justify privatisation Gomomo says the financial spin-offs would amount to only one year's servicing of the national debt. It should also not be used to empower black business because this would only benefit a small elite of the black community.

Foreign Aid and Investment

Foreign Trade Figures for 1994 Detailed

MB0606093495 Johannesburg FINANCIAL MAIL in English 2 Jun 95 p 37

[FBIS Transcribed Text] Information about SA's [South Africa] trade with the rest of the world is frustratingly

selective. Each month Customs & Excise [C&E] publishes a country breakdown on trade flows. But the figures call for explanation. This is not available from C&E, whose job is purely to capture the data; nor is it available from any other official agency.

Analysis of trade flows is complicated by a huge flaw in the C&E figures. Gold is not included in the country breakdown of exports. It is the main component in the biggest category, described as "other unclassified" — valued at R32bn [rands] in 1994 out of a total of R79bn. So its exclusion makes the breakdown misleading.

What provisional figures for 1994 show is that, excluding gold, the strongest growth in exports in 1994 was to the UK — 48 percent to R5.9bn. Of this, R2.5bn was in the category which includes diamonds.

Globally, diamond exports showed virtually no growth. So the boom in UK sales was due to sharp falls in other markets. According to SAFTO [South African Foreign Trade Organization] economist Linda Smith, diamond exports to Switzerland fell from R7.3bn in 1993 to R5.3bn in 1994.

Overall, SA's biggest export market was Africa — R8.6bn.

Machinery & electrical equipment brought in R1.4bn from the rest of the continent, chemical or related products earned R1.3bn and base metals R1.2bn.

The next biggest customer was Switzerland, which was the recipient of R6.1bn of goods. This was almost entirely diamonds, channelled through De Beers' offshore arm, Centenary, for rerouting.

Other major customers were:

- The U.S., which paid R4.4bn for goods. Of this, R1.5bn was for base metals;
- Japan, R4.2bn. The biggest source of revenue for domestic producers was mineral products — R1.3bn; and
- Germany R3.7bn. A wide range of goods was included and the single largest item was "miscellaneous manufactured items" worth R460m.

After the UK, the strongest export growth was to South Korea — 37 percent to R1.7bn. Base metals earned nearly R800m. Exports to a number of countries fell, including China (-2 percent), Hong Kong (-12 percent), Taiwan (-16 percent) and Israel (-37 percent).

Though exports rose only 11.6 percent in 1994, imports jumped 34.6 percent to R79.5bn, according to the December monthly trade abstract.

As they stand, the December figures show a leap in imports from the U.S. — 61 percent to R12.5bn.

However the largest category, valued at nearly R4bn, is made up mostly of brake linings, according to Smith. This is apparently an error. If the item is removed from the figures, growth in imports from the U.S. is only about 9 percent.

If the rest of the figures are correct, the rising yen is pricing Japanese goods out of the pockets of SA consumers. Imports rose only 6 percent — to R7.9bn. Of this, R4.2bn was spent on the category which includes vehicles, aircraft & vessels and R2.2bn was spent on machinery & electrical goods.

Germany is the biggest source of imports — R13bn. Machinery & electrical equipment accounted for R4.8bn. And vehicles, aircraft & vessels cost R3.8bn.

Goods imported from the UK cost R8.9bn; R3.4bn went on machinery & electrical equipment and R1.4bn on chemical & related products.

Imports from Italy were worth R3bn, of which R1.4bn was for machinery and electrical equipment.

Adjusting for the mistake in the U.S. import figures, Germany remained SA's biggest trading partner with two-way trade of R16.7bn. This was up 38 percent on 1993.

German Bank's Involvement Noted

MB1506145895 Johannesburg THE STAR in English
15 Jun 95 p 19

[Report by John Spira]

[FBIS Transcribed Text] Commerzbank, Germany's third-biggest bank with total assets of R910-billion [rands], has an exposure of nearly R5-billion to South Africa.

The German bank's huge involvement in this country was revealed in Johannesburg yesterday by Martin Kohlhaussen, chairman of the Frankfurt-based Commerzbank's board of managing directors.

Commerzbank has converted its representative office in South Africa into a fully-fledged branch — the first branch of an international bank to see the light of day in this country for a great many years. Kohlhaussen said much of his bank's funds that were at risk here related to German multinational trade. About 20 percent of this was financed by Commerzbank, compared with between 13 and 14 percent worldwide.

"However, our activities in South Africa will not be confined to bilateral trade with Germany. We hope to do business with third countries, bearing especially in mind our involvement in a large number of countries throughout the world."

Kohlhaussen said that during the first five months of 1995, Commerzbank had been the leading international bank raising Euroloans for South African organisations.

On foreign perceptions of South Africa, Kohlhaussen believed this country was not doing enough to sell itself to the world.

"There's been little marketing of your achievements. What you need is a strong sales pitch."

He said the South African government shouldn't complain about the absence of any meaningful foreign investment.

"True, you have 40-million people, a good infrastructure and offer opportunities to the north. That's why we are cementing our presence here. Yet you are competing with several other countries for international capital and you don't offer a great deal in the way of incentives. Your productivity is poor and you do not boast a large pool of skilled labour.

"You can't do much about the two latter factors in the short term. But what you can and should do is offer incentives to the foreign investor — as do several other countries. Such incentives can take a variety of forms, among them tax breaks and the provision of land at attractive prices for manufacturing purposes."

EU Official Expresses Concern Over Funding

MB0606153795 Johannesburg SAPA in English
1237 GMT 6 Jun 95

[FBIS Transcribed Text] Pretoria June 6 SAPA — European Member of Parliament Glenys Kinnock on Tuesday [6 June] expressed concern that South Africa's [SA] strong civil society was in danger of collapse because of confusion over access to European Union funding.

She was speaking in Pretoria at the end of a six-day visit to South Africa, where she met President Nelson Mandela and his deputy Thabo Mbeki to explore new relations between South Africa and the EU.

Ms Kinnock said many difficulties had been drawn to her attention concerning the EU's dealings with non-governmental organisations in SA.

"I am concerned that the strong civil society which we have supported during the decades of apartheid is now in danger of collapse because of the evident confusion over access to EU funding in this transitional period.

"I have given assurances that I will press for urgent action in order that the present impasse can be broken and essential assistance can be delivered."

Article Says U.S. Approval of GATT 'One Big Fraud'

MB0706055195 Pretoria DIE AFRIKANER
in Afrikaans 26 May-1 Jun 95 p 3

[FBIS Translated Excerpt] The U.S.A., a country that persuaded South Africa and others to sign the revised GATT treaty through threats, has accepted a policy to violate every clause in that treaty. Its economic difficulties are endangering the free trade agreement.

South Africa also is involved. As in the case of Japan, whose automobiles have taken over the U.S. market, Americans are fussing over South African industrial products they do not want on their market. They want to prevent South African exporters from getting even a little piece of the U.S. market.

It has become routine: As soon as a South African product is offered in the U.S. at a price lower than that quoted by an American rival, U.S. business complains to the country's Commerce Department about dumping [preceding word in English] of the products concerned, that is, they oppose the sale of the goods on the U.S. market at prices lower than South African prices.

What follows is that the U.S., without even probing the facts, summarily prohibits the importation to the U.S. of the goods concerned on the strength of "exporting orders" from its President's office. In most cases the dumping is only a fabrication, and it takes a year or more — involving many court cases — to prove that the "exporting order" was wrong, and, meanwhile, the South African product has been kept out of the market.

When the original order is withdrawn within a year or so and South Africa can again sell the product in the U.S., a second order is obtained automatically.

Meanwhile, the U.S. ambassador in Pretoria has had the arrogance to repeatedly warn South Africa to lower and finally do away with its import duties.

The U.S. underwriting of GATT, through which import duties had to be outlawed internationally, and America's persistent and vicious pressure on other countries to follow its example seem to be one big fraud. [passage omitted]

Number of Overseas Visitors Rises 30 Percent

MB0706172195 Johannesburg Channel Africa Radio
in English 1500 GMT 7 Jun 95

[FBIS Transcribed Text] The South African minister of environmental affairs and tourism, Dr. Dawie de Villiers, says the number of overseas visitors to South Africa has risen by 30 percent in the past year.

Addressing a news conference in Johannesburg to announce an international environmental conference in South Africa next year, Dr. De Villiers said a South African Tourism Board survey showed that 90 percent of tourists from overseas wanted to return to South Africa.

Referring to the country's high crime rate, he said tourists' safety gave cause for concern. However, recent national campaigns against crime were encouraging. Dr. De Villiers said the South African tourism industry hoped to attract 3 million tourists in the year 2000, compared to last year's 700,000.

Sexwale Returns From Southeast Asia Trip

*MB0706145695 Johannesburg SAPA in English
1357 GMT 7 Jun 95*

[FBIS Transcribed Text] Johannesburg June 7 SAPA — Gauteng Premier Tokyo Sexwale and a business delegation on Wednesday [7 June] returned from South-East Asia armed with commitments for investment in the province.

The delegation had met senior government officials and generated significant interest in Gauteng during the successful 18-day trip to Singapore, Malaysia, Taiwan, South Korea, Hong Kong, Mr Sexwale told a news conference.

He said the trip successfully promoted government to government agreements, mutual assistance and investment opportunities while observing the successes of high-growth Eastern economies.

"The trip was also a powerful expression of the ability of government and business to work together to promote our shared aims of faster growth, employment creation, national reconstruction and development," Mr Sexwale said.

An agreement was concluded between Gauteng and the Malaysian Government to rapidly develop a 1,000-house pilot low-cost housing scheme as the core of an integrated residential and commercial development.

A sisterhood agreement was signed between Gauteng and Korea's Kyonggi Province, a manufacturing and industrial powerhouse.

Korea's giant Daewoo corporation committed itself to invest in Gauteng business projects, and the Hong Kong Trade Development Council said it would establish a permanent office in Johannesburg by year end.

International leisure group Hyatt International would build two new hotels in Gauteng, one of them part of a theme park, Mr Sexwale said.

Declarations of intent were also received from the Singapore Government and Korean corporations Lucky Goldstar and Hyundai.

The Malaysian housing project would involve the building of about 10,000 [figure as received] homes. Details of when and where they would be built still needed to be sorted out, Mr Sexwale said.

Trade, Investment Delegation To Visit Japan

*MB1306150695 Johannesburg SAPA in English
1434 GMT 13 Jun 95*

[FBIS Transcribed Text] National Assembly June 13 SAPA — A trade and investment delegation led by Trade and Industry Minister Trevor Manuel is to visit Japan and the Far East in September as part of an initiative to reposition South Africa in the global economy.

South Africa needed to reposition its trade relationships, move away from being a supplier of raw and semi-processed goods to developed countries, and reduce its dependence on imported manufactured goods, he said in his budget speech on Tuesday.

The South African-US Bilateral Commission would also meet in October to cement progress made in the SA-US Business Development Council since last September.

Discussions had also started on the development of the Indian Ocean Rim as a trading block, although this was viewed as a long-term project.

"Trade among the various states on the rim is currently much too low to make the initiative immediately viable," he said.

Flights Begin Between Johannesburg, UAE

*MB0306141495 Johannesburg SAPA in English
1301 GMT 3 Jun 95*

[FBIS Transcribed Text] Johannesburg June 3 SAPA — The inaugural flight of Emirates Air landed at Johannesburg International Airport at noon on Saturday, marking the introduction of a new air route between South Africa and the United Arab Emirates (UAE). Emirates aviation officials and a representative of UAE head His Highness Sheikh Ahmed Bin-Sa'id Al Maktum were met by Transport Minister Mac Maharaj and traditional dancers. The airline is due to fly between Johannesburg and Dubai twice a week, with a stop-over in the Comores.

PRC Promises Investment in KwaZulu/Natal

*MB1206133395 Johannesburg THE STAR in English
12 Jun 95 p 14*

[Report by John Sherrocks]

[FBIS Transcribed Text] Mainland China has committed itself to establishing an average of one factory a month in KwaZulu/Natal [KZN] over the next 12 months, creating hundreds of jobs and pouring millions of rands into the province.

Part of an explosion of investment by the Far East into KZN, the Chinese deal follows the signing of a memorandum of agreement between the China Council for the Promotion of International Trade and the KwaZulu/Natal Marketing Initiative (KMI), the marketing agency for the province.

The first of the 12 projects, Chisa Welding which will manufacture welding rods, has already set up operations in a factory at Ezakheni near Ladysmith, creating up to 100 jobs. The KMI, which was instrumental in clinching the Chisa deal, reports that another two companies will set up shortly.

Smart Garments will also be based in Ladysmith, while the location of the other operation, Hero Pens, is still being finalised.

The two businesses will together invest an estimated R15-million [rands] in the province and create 230 new jobs in total. Arnold Griesel, vice chairman of the KMI said the remaining 10 companies were awaiting approval from the Board for Regional Industrial Development (BRID) regarding their applications for investment incentives.

These companies will manufacture a diverse range of products, including textiles, clothing, hardware, electronic appliances and enamelware.

Griesel said it was expected that investment by the other Chinese companies will be widespread to include Pinetown, Pietermaritzburg, Ladysmith, Isithebe and Richards Bay.

Gold Mining Agreement Signed With Algeria

*MB1806170895 Johannesburg SAfm Radio Network
in English 1600 GMT 18 Jun 95*

[FBIS Transcribed Text] A report in an Algiers newspaper says the Algerian Government has reached an agreement with South Africa on gold mining in Algeria.

The report quotes the energy and industry minister as saying that a South African delegation is expected in Algeria soon to follow up the agreement. He said Algeria had gold mining potential and his government

was discussing new measures to boost the exploitation of gold, iron, phosphates, and other minerals.

Russian Diamond Producer Organizes Summit

*MB1206123295 Johannesburg THE STAR in English
12 Jun 95 p 14*

[Report by Neil Behrmann]

[FBIS Transcribed Text] London — De Beers negotiations with the Russians are reaching a climax say dealers and there is little doubt that an agreement will take place during the second half of the year.

"I am optimistic that a new agreement will be reached before the present pact expires at the end of the year," said Moshe Schnitzer chairman of the Israel Diamond Institute. Schnitzer is leading a large delegation of Israeli diamond dealers and manufacturers to Moscow this month. They will attend an international diamond summit organised by Aimazy Rossii-Sakha(ARS), the Russian diamond producer.

The summit will enable leading diamond manufacturers and producers to meet with their Russian counterparts. De Beers officials, bankers and Boris Yeltsin, president of the Russian Federation, will attend. Also present will be chairmen and leading members of diamond bourses in the U.S., Belgium, India, Japan, Thailand, Singapore and Hong Kong.

Diamond Dealers Predict Fall in De Beers' Sales

*MB1906114895 Johannesburg THE STAR in English
19 Jun 95 p 14*

[Report by Neil Behrmann]

[FBIS Transcribed Text] London — Diamond dealers and analysts estimate that first half sales of De Beers will fall to around \$2,100-million from \$2,580-million in the same period last year.

Full year sales in 1994 amounted to \$4,250-million. "The market for polished diamonds in Antwerp, Tel Aviv and Bombay is quiet," said, Hys Nedcor Securities mining analyst Michael Coulson. "This indicates that the diamond jewellery market is slowing down, particularly in Japan, so second half sales are likely to be lower," he said.

Antwerp diamond dealers agree with this assessment, but Moshe Schnitzer, chairman of the Israel Diamond Institute, remains confident.

Estimates of first half turnover, due to be published towards the end of June, have been downgraded. Dealers and a trade magazine, Diamond International, estimated

that De Beers' London-based Central Selling Organisation (CSO) sold around \$1,500-million in the first three months of this year.

De Beers holds five sights in each half of the year. Following above average sales in the first three sights, dealers had sufficient stocks, so fewer gems were sold in the May and June sights which in total were put at \$600 million.

De Beers refused to comment on sights, so actual results could be different. Yet De Beers shares have fallen in recent days because the market has become nervous.

The most unsettling variable remains De Beers' negotiations with the Russians. "I am optimistic that a new agreement will be reached before the present pact expires at the end of the year," said Moshe Schnitzer, chairman of the Israel Diamond Institute.

Schnitzer is leading a large delegation of Israeli diamond dealers and manufacturers to Moscow at the end of this week. They will attend an international diamond summit.

The summit will enable leading diamond manufacturers and producers to meet their Russian counterparts. The diamond industry hopes that the summit will clarify the Russian position vis-a-vis the world market, commented the Israeli diamond trade magazine, *Mazel U'Bracha*.

Under the current agreement, De Beers is supposed to control 95% of Russia's diamond exports, an allocation that amounts to roughly a quarter of the CSO's total sales.

Sergei Uhlin, director of Russian diamond producer Almazy Rossii-Sakha (ARS), which is the main negotiator with De Beers, said the producer wants a stable diamond market by selling the bulk of Russian diamonds directly through De Beers.

Yet Yevginiy Byehkov, chairman of Komdragmet, the Russian Treasury's committee on precious metals and gem stones, hopes to expand its selling quota and drive for better prices and more independence under a new agreement.

Negotiations which are headed by CSO chairman Nicky Oppenheimer and managing director Gary Ralfe are thus exceedingly complex. Almost all the diamonds that are by-passing De Beers are being sold from a huge stockpile controlled by the Russian Treasury, said CSO managing director Gary Ralfe.

Russian rough diamond exports last year surged by around 30% to \$2,000 million, according to De Beers estimates.

About \$1,200-million of the diamonds were sold through De Beers' producer cartel, the CSO. The remaining \$800 million were distributed directly to dealers in Antwerp, Tel Aviv, Bombay and elsewhere.

Russian sales have continued to flood on to the market. Dealers estimate that independent Russian sales could top \$1,000-million this year, if second half sales proceeded on the same scale as the first half.

Alarmed at the trends, De Beers has refused to sell gems to two or three dealers who bought large amounts of diamonds from the Russians, said a dealing sources. De Beers, refused to comment.

Dealers contended that De Beers' sales growth will depend on the terms of the deal. "De Beers will have to make some concessions," said Erez Rivlin, Policom BVBA, Antwerp diamond dealers director.

Industrial Activity

Increased Car Sales 'Evidence' of Economic Gains

MB0706143495 Johannesburg *THE STAR* in English
7 Jun 95 p 15

[Report by Pretoria business editor Roy Cokayne]

[FBIS Transcribed Text] New vehicle sales in May bounced back impressively from the slump in April to record major gains in all sectors, providing concrete evidence the economic upturn is intact.

Ed Hern Rudolph Inc strategic economist Nick Barnardt said: "Any impression people may have got from the 1.5% first quarter GDP (Gross Domestic Product) figure of an economic slowdown is misleading. The boom is continuing and the economy is still in an upswing phase which should accelerate into next year."

But Barnardt the release of figures indicating increased spending and therefore bank credit extension, the greater the likelihood of another bank rate hike.

Econometric (Pty) Ltd said the vehicle sales for May were amazingly strong bearing in mind the increasing incidence of vehicle imports.

The sales figures prompted Toyota SA [South Africa] group marketing director Dr Johan van Zyl to describe the overall prospects for the motor industry as the brightest they have been for many years.

National Association of Automobile Manufacturers of South Africa (Naamsa) figures revealed new car sales in May rose 41.7% or 6,004 units to 20,398 compared to the 14,394 unit sales recorded in the corresponding month last year. It was up 29.5% or 4,651 units compared to sales of 15,747 units in April this year.

Sales of new light commercial vehicles, bakkies [pick-ups] and minibuses rose 43.5% to 11,405 units in May compared with the 7,947 unit sales in the corresponding month last year. It showed a gain of 2,426 units or 27% compared with sales of 8,979 units in April.

Sales of vehicles in the low volume medium and heavy commercial vehicle segments of the market recorded slightly smaller gains during May.

Medium truck sales at 402 units rose by 36.7% or 108 units in May, and heavy trucks and buses at 615 units by 36.7% or 165 units compared with the sales achieved in May last year. Both sectors also improved on sales achieved in April medium trucks rising by 23.7% and heavy trucks and buses by 4.9%.

Increased vehicle sales in all sectors in the five months between January to May provide ample evidence of the dramatic improvement in the fortunes of the motor industry.

Sales of new passenger vehicles between January and May this year are almost 24% higher than the same period last year while light commercial vehicle sales increased by 36.1% and medium commercials gained 29.8%.

But the most impressive improvement occurred in the low volume heavy commercial vehicle sector where January to May sales this year are 52.8% higher than last year.

NUM: 'Surgical Overhaul' of Mining Industry Needed

*MB0806195495 Johannesburg SAPA in English
1851 GMT 8 Jun 95*

[FBIS Transcribed Text] Johannesburg June 8 SAPA — Mining on Sundays would not save the industry and would only "store up problems for the future," National Union of Mineworkers [NUM] General Secretary Kgalema Motlanthe said in a statement on Thursday [8 June].

Speaking as annual pay talks with the Chamber of Mines began, he said the mining industry needed a "surgical overhaul" to survive.

"Sunday working will not save the mining industry," Mr Motlanthe said. "What we want to discuss is a much more holistic approach that looks at how the entire industry operates, from job grading and training to the migrant labour system, contracting out and overall productivity."

"The chamber is being very short-sighted in its approach and is hindering the start of meaningful negotiations."

The NUM said there was little progress in the opening talks because the chamber had tried to force the union's hand on the Sunday mining issue.

The Chamber of Mines said in a statement falling gold production and rising costs meant the industry urgently needed to reorganise work and negotiation practices.

"Gold production in 1994 dropped by 35,500kg and, if the production in the first four months of this year continues throughout 1995, we could see a further production drop of 53,000kg," it said.

Gold production costs had risen by more than 16 per cent last year and appeared set to rise 20 per cent this year.

The chamber said the scrapping of a statutory prohibition on Sunday work would give individual mines flexibility in negotiating shifts.

It said the NUM was demanding pay rises of between 20 and 126 per cent on gold mines, and between 20 and 133 per cent at collieries.

Armscor Chair Stresses Stronger Arms Industry

*MB0906124295 Johannesburg SAPA in English
1223 GMT 9 Jun 95*

[FBIS Transcribed Text] Johannesburg June 9 SAPA — The strengthening of the South African armaments industry would be in the interests of all South Africans, Armscor [Armaments Corporation of South Africa] Chairman Johan Moolman said in an interview with the weapons manufacturer's SALVO magazine.

He welcomed support by politicians for a strong defence force. "It will be in the interest of all South Africans for the industry to keep up its strength and viability," he said. Armscor would continue to exist for many years. "It is a giant in the manufacturing sector, being South Africa's greatest single exporter of manufactured goods, and is also a great creator of employment." A strong armaments industry had the capacity to contribute substantially to the Reconstruction and Development Programme, Mr Moolman said.

"Its expertise in managing programmes that run into millions of rands, coupled with its considerable financial muscle, enable it to play a major role in this area," he told the latest edition of SALVO. "Thus I am reasonably encouraged that the government appreciates our efforts in the field of technology, and that it is not bent on undoing everything achieved under a previous government." Armscor staff had accepted "wholeheartedly" changes following South Africa's political transformation, Mr Moolman said.

State, Iscor Said on 'Collision Course'

*MB1206123395 Johannesburg THE STAR in English
12 Jun 95 p 14*

[Report by Derek Tommey]

[FBIS Transcribed Text] Government and Iscor [South African Iron and Steel Corporation] seem set on collision course over the proposed R3.6-billion [rands] steel plant at Saldanha Bay.

Hans Smith, managing director of Iscor says that further delays in approving the project could force Iscor to reconsider the economic viability of the entire scheme.

He told Business Report that he hoped to receive approval from the authorities by the middle of this month. However he added that if a decision to go ahead was not forthcoming by the middle of the month, Iscor would have to recalculate the figures on which the project is based.

But Reuter reports that Kader Asmal, Minister for Water Affairs and Forestry, says he will make a decision on the controversial mill only by the end of July. Work is being held up on the plant following the appointment last week by environment minister Dawie de Villiers of a board of inquiry into certain environmental aspects.

Smith said in an interview at the weekend that the Saldanha plant was unique. It was the only steel plant in the world which would export its entire output. This meant it had to be competitive internationally. The export market was a tough one and further delays in the establishment of the plant could affect its ability to compete, especially if the commodity cycle turned down.

There was a risk that if the plant was further delayed it would start production just when the commodity cycle was at its bottom. This could have a major effect on its earnings. Further delays could also lead to an increase in the cost of equipping the plant.

Smith rejected a suggestion by environmentalists that the plant should be sited some 20km away from Saldanha Bay. He said this would increase the capital cost by about R50 million and operating costs by around the same amount every year. These increased costs, though not substantial, could leave the plant uncompetitive and vulnerable in the event of a drop in the steel price.

Smith said that Iscor did not have to go ahead with the plant at Saldanha. It had other projects under consideration which would not necessarily be sited in the Western Cape. But he felt the plant would be good for Iscor, good for the Western Cape and good for South Africa.

Iscor had leaned over backwards to meet the objections of the environmentalists, he said. The plant did not have any coke ovens or blast furnaces which were the main causes of pollution at steel works. What exhaust gases there would be recycled and dissipated by becoming part of the steel manufacturing process.

Smith said that Iscor was financing a trust which would monitor the Saldanha plant and had the power to shut it down if it did not comply with anti-pollution regulations.

He said the remaining two major objections of the environmentalists were the appearance of the 140metre high Corex tower, in which the steel would be made, and the possibility that other new industries attracted by Iscor's plant might pollute the area.

Smith said he had agreed to clad the Corex tower, but he had difficulty meeting the objections about the effects on the environment in the future of other industries as he had nothing to go on. "It's a moving target," he said.

The Saldanha plant is expected to produce steel worth about R1.0-billion a year. Iron ore, presently selling for \$17 a [metric] ton, will become steel which will sell for \$340 a ton.

Textile Federation Plans To Remodel Industry

*MB1206194495 Johannesburg SAPA in English
1819 GMT 12 Jun 95*

[FBIS Transcribed Text] Johannesburg June 12 SAPA — The textile industry is to implement a R3-billion [rands] plan to remodel the industry, following Trade and Industry Minister Trevor Manuel's recommendations Monday [12 June] to phase down duties on textiles and clothing over the next eight years.

According to a statement released by the Textile Federation [Texfed] on Monday, the announcement by Manuel would allow the industry to move ahead with its plans for capital expenditure, workplace re-organisation and training.

In terms of the minister's report, subsidies for wool export marketing assistance and support for stabilising the cotton price would be withdrawn.

The tariffs on fibres would be reduced from 25 per cent to 7.5 per cent, on yarn from 32 per cent to 15 per cent and on fabrics from 45 per cent to 22 per cent, the Texfed statement said.

The report said the industry should take greater responsibility for its own future by lessening its dependence on government.

In response to the recommendations, Texfed President Mervyn King said, "The minister's ruling ends years of uncertainty and, in line with international norms, will give the industry the opportunity to implement the plans it has drawn up to become internationally competitive".

Textile, Auto Industry Tariffs Phased Down

MB1206174295 Johannesburg SAPA in English
1702 GMT 12 Jun 95

[FBIS Transcribed Text] Cape Town June 12 SAPA — "There was no blood on the floors", Trade and Industry Minister Trevor Manuel said on Monday [12 June] after he had presented government plans to phase down clothing, textile and motor industry protections to the industries.

After presenting the proposals at a meeting of industry and union representatives in Cape Town he told a press conference the broad aim of the plans was to restructure "two of the hardest industrial sectors in South Africa" to make them more internationally competitive. This he planned to do through human resource and technology development and improving productivity.

The phasing down of the tariffs that had protected the industries from international competition were necessary in terms of South Africa's General Agreement on Trade and Tariffs commitments, he said.

In terms of the proposals for the textile and clothing sector terms, ad valorem rates are to be phased down in

eight years, while specific duties will be reduced over four years.

Mr Manuel said the four-year period could be extended by a further year if a mid-term review of the phase-down felt it was necessary.

In the phasing-down period, "we will have to shore up customs so we do not see the leakage we see now" which could cause the death of the clothing and textile industry, he said.

The intention is to promote international competitiveness in the clothing and textile industry in the next 10 years while minimising job losses.

The industry should take greater responsibility for its own future by lessening its dependence on government.

The plan to restructure the motor industry drawn up by the Board on Tariffs and Trade — approved by Mr Manuel — seeks to reduce the number of models produced in South Africa while increasing the manufacture of vehicle components and jobs.

Mr Manuel said import tariffs on built up vehicles and components would be phased down over an eight year period. Manufacturers will also be allowed to import components duty free up to 27 per cent of the wholesale value of the vehicle.

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